

AURELIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS,  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2013

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AURELIA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Brad Rohwer	President	2015
Jennifer Kaskey	Vice President	2013
Myron Radke	Board Member	2013
Sue Sangwin	Board Member	2015
Dan Winterhof	Board Member	2015

**School Officials**

Lynn Evans	Superintendent
Vicki Kolpin	District Secretary/Treasurer

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of  
Aurelia Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District, Aurelia, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aurelia Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2015 on our consideration of Aurelia Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Aurelia Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

October 2, 2015

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

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Aurelia Community School District provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,157,010 in fiscal 2012 to \$3,201,369 in fiscal 2013, while General Fund expenditures decreased from \$3,042,014 in fiscal 2012 to \$3,035,495 in fiscal 2013. The District’s General Fund balance increased from \$1,194,420 in fiscal 2012 to \$1,344,734 in fiscal 2013.
- The increase in General Fund revenues was attributable to an increase in state aid and property taxes. Expenditures decreased primarily to cost savings from whole grade sharing.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Aurelia Community School District as a whole and present an overall view of the District’s finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Aurelia Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Aurelia Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District’s budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Aurelia Community School District Annual Financial Report**

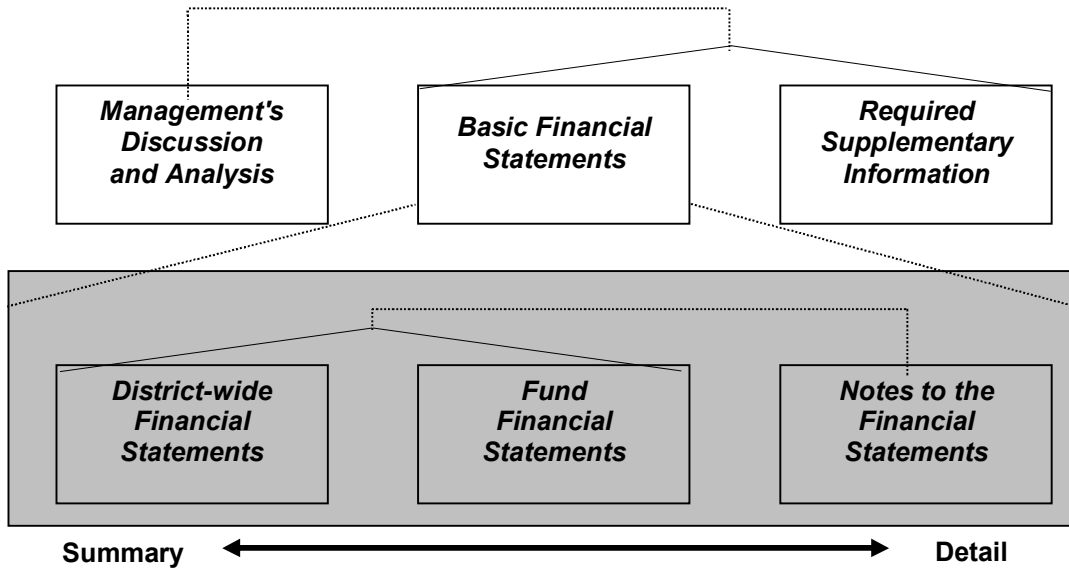


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund ó The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds ó These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

Figure 11.3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,570,613	4,895,083	22,555	35,446	4,593,168	4,930,529	7%
Capital assets	1,076,132	1,983,142	7,406	90,062	1,083,538	2,073,204	91%
<b>Total assets</b>	<b>5,646,745</b>	<b>6,878,225</b>	<b>29,961</b>	<b>125,508</b>	<b>5,676,706</b>	<b>7,003,733</b>	<b>23%</b>
Long-term liabilities	95,628	1,366,011	-	135	95,628	1,366,146	1,329%
Other liabilities	2,256,780	2,075,707	4,488	2,190	2,261,268	2,077,897	-80%
<b>Total liabilities</b>	<b>2,352,408</b>	<b>3,441,718</b>	<b>4,488</b>	<b>2,325</b>	<b>2,356,896</b>	<b>3,444,043</b>	<b>46%</b>
Net Position:							
Net Investment in capital assets	1,076,132	708,142	7,426	90,062	1,083,558	798,204	-26%
Restricted	1,134,539	1,540,141	-	-	1,134,539	1,540,141	36%
Unrestricted	1,083,666	1,188,224	18,047	33,121	1,101,713	1,221,345	11%
<b>TOTAL NET POSITION</b>	<b>3,294,337</b>	<b>3,436,507</b>	<b>25,473</b>	<b>123,183</b>	<b>3,319,810</b>	<b>3,559,690</b>	<b>7%</b>

The District's total net position increased 7%, or \$239,880, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$405,602 or 36% over the prior year. The increase was primarily a result of the issuance of a revenue bond for purposes of facility remodeling.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$119,632, or 11%.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	
Revenues							
Program Revenues:							
Charges for services	634,671	625,995	67,665	70,506	702,336	696,501	-1%
Operating grants & contributions	426,445	402,858	70,221	77,132	496,666	479,990	-3%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,598,457	1,550,478	-	-	1,598,457	1,550,478	-3%
Income Surtax	142,512	53,151	-	-	142,512	53,151	-63%
Statewide sales & service tax	188,165	219,990	-	-	188,165	219,990	17%
Unrestricted state grants	694,641	764,430	-	-	694,641	764,430	10%
Unrestricted investment earnings	3,396	3,435	23	33	3,419	3,468	1%
Other revenue	4,420	3,425	-	-	4,420	3,425	-23%
<b>Total Revenues</b>	<b>3,692,707</b>	<b>3,623,762</b>	<b>137,909</b>	<b>147,671</b>	<b>3,830,616</b>	<b>3,771,433</b>	<b>-2%</b>
Expenses:							
Instruction	2,222,602	2,173,281	-	-	2,222,602	2,173,281	-2%
Support services	983,026	980,482	-	-	983,026	980,482	-1%
Non-instructional programs	2,658	2,660	139,744	156,039	142,402	158,699	11%
Other expenditures	119,417	219,091	-	-	119,417	219,091	83%
<b>Total expenses</b>	<b>3,327,703</b>	<b>3,375,514</b>	<b>139,744</b>	<b>156,039</b>	<b>3,467,447</b>	<b>3,531,553</b>	<b>2%</b>
<b>Increase (decrease) in net position Before transfers</b>	<b>365,004</b>	<b>248,248</b>	<b>(1,835)</b>	<b>(8,368)</b>	<b>363,169</b>	<b>239,880</b>	<b>-34%</b>
Transfers	(13,521)	(106,078)	13,521	106,078	-	-	-
<b>INCREASE IN NET POSITION</b>	<b>351,483</b>	<b>142,170</b>	<b>11,686</b>	<b>97,710</b>	<b>363,169</b>	<b>239,880</b>	<b>-34%</b>
Net position beginning of year	2,942,854	3,294,337	13,787	25,473	2,956,641	3,319,810	12%
Net position end of year	3,294,337	3,436,507	25,473	123,183	3,319,810	3,559,690	7%

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,623,762 and expenses were \$3,375,514. The District works to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5

### Total and Net Cost of Governmental Activities

	<b>Total Cost of Services 2012</b>	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2012</b>	<b>Net Cost of Services 2013</b>
	\$	\$	\$	\$
Instruction	2,222,602	2,173,281	1,372,931	1,358,673
Support Services	983,026	980,482	872,833	867,445
Non-instructional Programs	2,658	2,660	2,658	2,660
Other Expenses	119,417	219,091	18,165	117,883
<b>TOTAL</b>	<b>3,327,703</b>	<b>3,375,514</b>	<b>2,266,587</b>	<b>2,346,661</b>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$625,995.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$402,858.
- The net cost of governmental activities was financed with \$1,823,619 in property and other taxes and \$764,430 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$147,671 and expenses were \$156,039. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Total expenses include employee benefits in the amount of \$14,998 that were paid by General Fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Aurelia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,776,471 above last year's ending fund balances of \$2,181,188.

### Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. While some areas of revenue increased for fiscal year 2013 many were restricted. Management implemented cost reductions in an attempt to maintain the District's financial position.
- The General Fund balance increased from \$1,194,420 to \$1,344,734.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.

- The Physical Plant and Equipment Levy account balance increased from \$377,344 at June 30, 2012 to \$479,639 at June 30, 2013.
- The Statewide Sales Tax account balance increased from \$270,994 at June 30, 2012 to \$433,360 at June 30, 2013.

### Proprietary Fund Highlights

School Nutrition Fund net position increased from \$25,473 at June 30, 2012 to \$123,183 at June 30, 2013.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$2,975 less than budgeted receipts. The most significant variance resulted from a decrease in student enrollment, a decrease in student activity revenue due to a decrease in gate receipts as a result of shared activities, and a less than adequate increase in allowable growth. Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Less money was spent on capital projects than budgeted.

In spite of the District's budgetary practice, the certified budget was exceeded in the other non-instructional functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had invested \$2,073,205, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$203,385.

*Figure A-6*

*Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
	\$	\$	\$	\$	\$	\$	
Land	31,400	31,400	-	-	31,400	31,400	0%
Construction in Progress	302,953	-	-	-	302,953	-	-100%
Buildings	280,683	1,512,216	-	-	280,683	1,512,216	439%
Improvements	(2)	(2)	-	-	(2)	(2)	0%
Equipment & Furniture	461,098	439,528	7,406	90,063	468,504	529,591	13%
<b>TOTAL</b>	<b>1,076,132</b>	<b>1,983,142</b>	<b>7,406</b>	<b>90,063</b>	<b>1,083,538</b>	<b>2,073,205</b>	<b>91%</b>

## Long-Term Debt

At June 30, 2013, the District had \$1,366,146 in long-term debt outstanding. This represents an increase from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012-2013</b>
	<b>\$</b>	<b>\$</b>	
Governmental Activities:			
Revenue Bonds	-	1,275,000	100%
Termination Benefits	95,628	86,146	-10%
Net OPEB Liability	-	4,865	100%
Total	95,628	1,366,011	1,328%
Business Type Activities:			
Net OPEB Liability	-	135	100%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment remained stable.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.
- The District's main priority is to provide the resources needed for excellent student achievement. This is shown as the District's students continue to score well in standardized tests. The Board entered into a whole grade sharing agreement to ensure that the students receive an excellent education. Whole-grade sharing began with the 2011-12 school year.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to make structural improvements. The Board continues to look at projects as funds are available.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki Kolpin, District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005.

## BASIC FINANCIAL STATEMENTS

## AURELIA COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	2,693,456	33,520	2,726,976
Receivables:			
Property tax:			
Delinquent	14,375	-	14,375
Succeeding year	1,547,265	-	1,547,265
Accounts	26,153	252	26,405
Due from other governments	604,329	-	604,329
Unamortized bond issue costs	9,505	-	9,505
Inventories	-	1,674	1,674
Capital assets, net of accumulated depreciation	1,983,142	90,062	2,073,204
<b>Total assets</b>	<b>6,878,225</b>	<b>125,508</b>	<b>7,003,733</b>
<b>Liabilities</b>			
Accounts payable	509,339	-	509,339
Salaries and benefits payable	8,002	-	8,002
Deferred revenue:			
Succeeding year property tax	1,547,265	-	1,547,265
Other	-	2,190	2,190
Accrued interest payable	9,963	-	9,963
unamortized bond premium	1,138	-	1,138
Long-term liabilities:			
Portion due within one year:			
Bonds payable	125,000	-	125,000
Termination benefits	29,284	-	29,284
Portion due more than one year:			
Bonds payable	1,150,000	-	1,150,000
Termination benefits	56,862	-	56,862
Net OPEB liability	4,865	135	5,000
<b>Total liabilities</b>	<b>3,441,718</b>	<b>2,325</b>	<b>3,444,043</b>
<b>Net position</b>			
Net investment in capital assets	708,142	90,062	798,204
Restricted for:			
Categorical funding	203,639	-	203,639
Management levy	253,590	-	253,590
Physical plant and equipment levy	479,639	-	479,639
Student activities	19,613	-	19,613
Special purposes by donors	15,284	-	15,284
School infrastructure	443,360	-	443,360
Debt service	125,016	-	125,016
Unrestricted	1,188,224	33,121	1,221,345
<b>Total net position</b>	<b>3,436,507</b>	<b>123,183</b>	<b>3,559,690</b>

See notes to financial statements.



## AURELIA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2013

<b>Function/Program</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
Governmental Activities:				
Instruction:				
Regular	1,510,371	389,285	214,622	-
Special	389,849	107,627	13,535	-
Other	273,061	15,920	73,619	-
	<u>2,173,281</u>	<u>512,832</u>	<u>301,776</u>	<u>-</u>
Support services:				
Student	89,658	18,974	-	-
Instructional staff	21,953	-	-	-
Administration	445,734	94,063	-	-
Operation and maintenance of plant	251,747	-	-	-
Transportation	171,390	-	-	-
	<u>980,482</u>	<u>113,037</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>2,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	40,805	-	-	-
Long-term debt interest	45,404	126	-	-
AEA flowthrough	101,082	-	101,082	-
Depreciation (unallocated)*	31,800	-	-	-
	<u>219,091</u>	<u>126</u>	<u>101,082</u>	<u>-</u>
Total governmental activities	<u>3,375,514</u>	<u>625,995</u>	<u>402,858</u>	<u>-</u>
Business Type Activities:				
Non-instructional programs:				
Food service operations	<u>156,039</u>	<u>70,506</u>	<u>77,132</u>	<u>-</u>
Total	<u>3,531,553</u>	<u>696,501</u>	<u>479,990</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
<b>Change in net position</b>				
Net position beginning of year				
Net position end of year				

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$	\$	\$
(906,464)	-	(906,464)
(268,687)	-	(268,687)
(183,522)	-	(183,522)
<u>(1,358,673)</u>	<u>-</u>	<u>(1,358,673)</u>
(70,684)	-	(70,684)
(21,953)	-	(21,953)
(351,671)	-	(351,671)
(251,747)	-	(251,747)
(171,390)	-	(171,390)
<u>(867,445)</u>	<u>-</u>	<u>(867,445)</u>
(2,660)	-	(2,660)
(40,805)	-	(40,805)
(45,278)	-	(45,278)
-	-	-
<u>(31,800)</u>	<u>-</u>	<u>(31,800)</u>
<u>(117,883)</u>	<u>-</u>	<u>(117,883)</u>
(2,346,661)	-	(2,346,661)
-	(8,401)	(8,401)
<u>(2,346,661)</u>	<u>(8,401)</u>	<u>(2,355,062)</u>
1,407,864	-	1,407,864
142,614	-	142,614
53,151	-	53,151
219,990	-	219,990
764,430	-	764,430
3,435	33	3,468
3,425	-	3,425
2,594,909	33	2,594,942
<u>(106,078)</u>	<u>106,078</u>	<u>-</u>
2,488,831	106,111	2,594,942
142,170	97,710	239,880
3,294,337	25,473	3,319,810
<u>3,436,507</u>	<u>123,183</u>	<u>3,559,690</u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	1,295,912	890,332	507,213	2,693,457
Receivables:				
Property tax:				
Delinquent	11,919	1,322	1,134	14,375
Succeeding year	1,269,991	152,275	124,999	1,547,265
Accounts	24,324	-	1,828	26,152
Interfund receivable	-	-	2,379	2,379
Due from other governments	569,434	34,895	-	604,329
<b>Total assets</b>	<b>3,171,580</b>	<b>1,078,824</b>	<b>637,553</b>	<b>4,887,957</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	501,973	3,550	3,816	509,339
Salaries and benefits payable	8,002	-	-	8,002
Interfund payable	2,379	-	-	2,379
Deferred revenue:				
Succeeding year property tax	1,269,991	152,275	124,999	1,547,265
Income surtax	44,501	-	-	44,501
Total liabilities	<u>1,826,846</u>	<u>155,825</u>	<u>128,815</u>	<u>2,111,486</u>
Fund balances:				
Restricted for:				
Categorical funding	203,639	-	-	203,639
Debt service	-	-	134,979	134,979
Management levy	-	-	339,736	339,736
Student activities	-	-	18,739	18,739
Special purposes by donors	-	-	15,284	15,284
School infrastructure	-	443,360	-	443,360
Physical plant and equipment	-	479,639	-	479,639
Committed for cash flow	460,000	-	-	460,000
Unassigned	681,095	-	-	681,095
Total fund balances	<u>1,344,734</u>	<u>922,999</u>	<u>508,738</u>	<u>2,776,471</u>
<b>Total liabilities and fund balances</b>	<b>3,171,580</b>	<b>1,078,824</b>	<b>637,553</b>	<b>4,887,957</b>

## AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2013

	\$
<b>Total governmental fund balances (Exhibit C)</b>	2,776,471
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds.	1,983,142
Other long-term assets are not available to pay for current year expenditures and therefore, are deferred in the governmental funds.	44,501
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(9,963)
Long-term liabilities, including termination benefits, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(1,357,644)</u>
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>3,436,507</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,426,880	362,604	122,279	1,911,763
Tuition	472,703	-	-	472,703
Other	134,637	5,016	16,177	155,830
State sources	1,097,531	75	64	1,097,670
Federal sources	69,618	-	-	69,618
Total revenues	<u>3,201,369</u>	<u>367,695</u>	<u>138,520</u>	<u>3,707,584</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,408,085	49,028	34,414	1,491,527
Special	389,038	-	-	389,038
Other	284,941	-	16,794	301,735
	<u>2,082,064</u>	<u>49,028</u>	<u>51,208</u>	<u>2,182,300</u>
Support services:				
Student	88,188	-	1,200	89,388
Instructional staff	21,939	-	-	21,939
Administration	424,780	-	20,427	445,207
Operation and maintenance of plant	188,854	45,888	14,770	249,512
Transportation	128,588	2,787	14,710	146,085
	<u>852,349</u>	<u>48,675</u>	<u>51,107</u>	<u>952,131</u>
Non-instructional programs	-	-	2,660	2,660
Other expenditures:				
Facilities acquisition	-	1,001,185	-	1,001,185
Long-term debt:				
Interest and fiscal charges	-	23,673	10,712	34,385
AEA flowthrough	101,082	-	-	101,082
	<u>101,082</u>	<u>1,024,858</u>	<u>10,712</u>	<u>1,136,652</u>
Total expenditures	<u>3,035,495</u>	<u>1,122,561</u>	<u>115,687</u>	<u>4,273,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,874</u>	<u>(754,866)</u>	<u>22,833</u>	<u>(566,159)</u>
Other financing sources (uses):				
Bonds issued	-	1,275,000	-	1,275,000
Bond premium	-	1,264	-	1,264
Bond discount	-	(10,561)	-	(10,561)
Sales of materials and equipment	1,817	-	-	1,817
Operating transfers in	-	-	147,475	147,475
Operating transfers out	(17,377)	(236,176)	-	(253,553)
Total other financing sources (uses)	<u>(15,560)</u>	<u>1,029,527</u>	<u>147,475</u>	<u>1,161,442</u>
Change in fund balances	150,314	274,661	170,308	595,283
Fund balances beginning of year	<u>1,194,420</u>	<u>648,338</u>	<u>338,430</u>	<u>2,181,188</u>
Fund balances end of year	<u>1,344,734</u>	<u>922,999</u>	<u>508,738</u>	<u>2,776,471</u>

See notes to financial statements.

## AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances-Governmental Funds to the  
Statement of Activities

Year ended June 30, 2013

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		595,283
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Activities and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital outlays	1,101,971	
Depreciation expense	<u>(194,961)</u>	907,010
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(88,144)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(9,963)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	9,482	
Other postemployment benefits	<u>(4,865)</u>	4,617
Proceeds of long-term debt issuance are included in the governmental funds but increase long-term liabilities in the Statement of Net Position.		<u>(1,266,633)</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>142,170</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	33,520
Accounts receivable	252
Inventories	<u>1,674</u>
Total current assets	<u>35,446</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>90,062</u>
<b>Total assets</b>	<u>125,508</u>
<b>Liabilities</b>	
Current liabilities:	
Deferred revenue	2,190
Noncurrent liabilities:	
Net OPEB Liability	<u>135</u>
<b>Total Liabilities</b>	<u>2,325</u>
<b>Net position</b>	
Investment in capital assets	90,062
Unrestricted	<u>33,121</u>
<b>Total net position</b>	<u><u>123,183</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>70,506</u>
Operating expenses:	
Non-instructional programs:	
Salaries	42,682
Benefits	15,132
Supplies	89,801
Depreciation	<u>8,424</u>
Total operating expenses	<u>156,039</u>
Operating loss	<u>(85,533)</u>
Non-operating revenues:	
State sources	1,468
Federal sources	75,664
Interest on investments	<u>33</u>
Total non-operating revenues	<u>77,165</u>
Change in net position before other financing uses	<u>(8,368)</u>
Other financing uses:	
Capital contributions	91,080
Transfers in	<u>14,998</u>
Total other financing uses	<u>106,078</u>
Change in net position	97,710
Net position beginning of year	<u>25,473</u>
Net position end of year	<u><u>123,183</u></u>



## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	70,670
Cash payments to employees for services	(57,679)
Cash payments to suppliers for goods or services	(81,905)
Net cash used by operating activities	<u>(68,914)</u>
Cash flows from non-capital financing activities:	
Transfer from (to) General Fund	14,998
State grants received	1,468
Federal grants received	65,195
Net cash provided by non-capital financing activities	<u>81,661</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>33</u>
Net increase (decrease) in cash and cash equivalents	12,780
Cash and cash equivalents at beginning of year	<u>20,740</u>
Cash and cash equivalents at end of year	<u><u>33,520</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating income (loss)	(85,533)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	10,469
Depreciation	8,424
Decrease (increase) in inventories	(157)
Decrease (increase) in accounts receivable	46
(Decrease) increase in accounts payable	(2,416)
(Decrease) increase in deferred revenue	118
(Decrease) increase in other postemployment benefits	135
Net cash used by operating activities	<u><u>(68,914)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013, the District received \$10,469 of federal commodities.

During the year the Capital Projects Fund purchased \$91,080 of equipment for the Nutrition Fund.

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship	Agency
	\$	\$
<b>Assets</b>		
Cash, cash equivalents and pooled investments	5,278	220
Accrued interest receivable	2	-
<b>Total Assets</b>	<u>5,280</u>	<u>220</u>
<b>Liabilities</b>		
Other liabilities	-	220
<b>Net Position</b>		
Reserved for scholarships	<u>5,280</u>	<u>-</u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	6
Deductions	
Support services:	
Scholarships awarded	<u>100</u>
Change in net position	(94)
Net position beginning of year	<u>5,374</u>
Net position end of year	<u><u>5,280</u></u>

# AURELIA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### 1. Summary of Significant Accounting Policies

Aurelia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Aurelia Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included as a Nonmajor Governmental, District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the district is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangible assets	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed . Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned . All amounts not included in the preceding classifications.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the non-instructional expenditures function exceeded the amount budgeted.

## 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain



registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
		\$
<b>Funds:</b>		
Debt Service Fund	Capital Projects Fund	145,096
Student Activity Fund	General Fund	2,379
School Nutrition Fund	General Fund	14,998
School Nutrition Fund	Capital Projects Fund	91,080

The transfers from the General Fund to the Student Activity Fund reflect reimbursement for costs allowed to be paid from the General Fund.

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	31,400	-	-	31,400
Construction in progress	302,953	-	302,953	-
Total capital assets not being depr.	334,353	-	302,953	31,400
Capital assets being depreciated:				
Buildings	973,086	1,263,333	-	2,236,419
Improvements other than buildings	138,013	-	-	138,013
Furniture and equipment	1,712,910	141,591	-	1,854,501
Total capital assets being deprec.	2,824,009	1,404,924	-	4,228,933
Less accumulated depreciation for:				
Buildings	692,403	31,800	-	724,203
Improvements other than buildings	138,015	-	-	138,015
Furniture and equipment	1,251,812	163,161	-	1,414,973
Total accumulated depreciation	2,082,230	194,961	-	2,277,191
Total capital assets being depreciated, net	741,779	1,209,963	-	1,951,742
Governmental activities capital assets, net	1,076,132	1,209,963	302,953	1,983,142

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	34,468	91,081	-	125,549
Less accumulated depreciation	27,062	8,424	-	35,486
Business type activities capital assets, net	7,406	82,657	-	90,063

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	124,639
Support services:	
Transportation	1,965
Facilities acquisition	36,557
	163,161
Unallocated depreciation	31,800
Total governmental activities depreciation expense	194,961
Business type activities:	
Food service operations	8,424

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	-	1,275,000	-	1,275,000	125,000
Termination benefits	95,628	31,918	41,400	86,146	29,284
Net OPEB liability	-	4,865	-	4,865	-
	95,628	1,311,783	41,400	1,366,011	154,284
Business type activities:					
Net OPEB liability	-	135	-	135	-

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2013, the District has obligations to seven participants with a total liability of \$86,146. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$41,400.

## Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	1.00	125,000	19,300	144,300
2015	1.00	135,000	18,000	153,000
2016	1.00	140,000	16,625	156,625
2017	1.25	140,000	15,050	155,050
2018	1.50	140,000	13,125	153,125
2019-2021	1.75-2.25	595,000	25,700	620,700
		<u>1,275,000</u>	<u>107,800</u>	<u>1,382,800</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,275,000 bonds issued in July 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,392,763. For the current year, no principal and \$9,963 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$219,990.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$127,500 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

## **6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$130,537, \$124,117, and \$97,906 respectively, equal to the required contributions for each year.

## 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 37 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	39,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>39,000</u>
Contributions made	<u>(34,000)</u>
Increase in net OPEB obligation	5,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>5,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$34,000 to the medical plan. Plan members eligible for benefits contributed \$17,105, or 100% of the premium costs, less amount covered by district's early retirement plan, or approximately 77%.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	35,000	100%	-
2011	35,000	100%	-
2012	35,000	100%	-
2013	39,000	87%	5,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$367,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,380,000 and the ratio of the UAAL to covered payroll was 26.6%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%.

Mortality rates are from the RP2014 projected to 2025 using Scale MP-14, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from GASB 45, Table 1, paragraph 35(b).

Projected claim costs of the medical plan are \$15,760 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$101,082 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	90,169
Returning dropout and dropout prevention program	19,639
Teacher salary supplement	20,028
Home school assistance program	29,687
Educator quality, professional development	33,791
Core curriculum	10,045
Limited English proficiency	280
	<u>203,639</u>

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Types Actual \$	Proprietary Fund Type Actual \$	Net \$	Budgeted Amounts		Final to Actual Variance - Positive (Negative) \$
				Original \$	Final \$	
Revenues:						
Local sources	2,540,296	70,539	2,610,835	2,608,159	2,608,159	2,676
State sources	1,097,670	1,468	1,099,138	1,112,171	1,112,171	(13,033)
Federal sources	69,618	75,664	145,282	137,900	137,900	7,382
Total revenues	<u>3,707,584</u>	<u>147,671</u>	<u>3,855,255</u>	<u>3,858,230</u>	<u>3,858,230</u>	<u>(2,975)</u>
Expenditures/Expenses:						
Instruction	2,182,300	-	2,182,300	2,412,000	2,412,000	229,700
Support services	952,131	-	952,131	1,146,100	1,146,100	193,969
Non-instructional programs	2,660	156,039	158,699	127,500	127,500	(31,199)
Other expenditures	1,136,652	-	1,136,652	1,758,354	1,758,354	621,702
Total expenditures/expenses	<u>4,273,743</u>	<u>156,039</u>	<u>4,429,782</u>	<u>5,443,954</u>	<u>5,443,954</u>	<u>1,014,172</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(566,159)	(8,368)	(574,527)	(1,585,724)	(1,585,724)	1,011,197
Other financing sources (uses) net	<u>1,161,442</u>	<u>106,078</u>	<u>1,267,520</u>	<u>750,000</u>	<u>750,000</u>	<u>517,520</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	595,283	97,710	692,993	(835,724)	(835,724)	1,528,717
Balances beginning of year	<u>2,181,188</u>	<u>25,473</u>	<u>2,206,661</u>	<u>2,304,189</u>	<u>2,304,189</u>	<u>(97,528)</u>
Balances end of year	<u><u>2,776,471</u></u>	<u><u>123,183</u></u>	<u><u>2,899,654</u></u>	<u><u>1,468,465</u></u>	<u><u>1,468,465</u></u>	<u><u>1,431,189</u></u>

See accompanying independent auditor's report



## AURELIA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend its budget.

During the year ended June 30, 2013, expenditures in the non-instructional expenditures function exceeded the amount budgeted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability (AAL) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
2010	July 1, 2009	-	389,000	389,000	0.0%	1,043,000	37.3%
2011	July 1, 2009	-	389,000	389,000	0.0%	1,244,000	31.3%
2012	July 1, 2009	-	389,000	389,000	0.0%	1,350,000	28.8%
2013	July 1, 2012	-	367,000	367,000	0.0%	1,380,000	26.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTAL INFORMATION

## AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	342,379	14,571	15,284	134,979	507,213
Receivables:					
Property tax:					
Delinquent	1,134	-	-	-	1,134
Succeeding year	124,999	-	-	-	124,999
Accounts	-	1,828	-	-	1,828
Interfund receivable	-	2,379	-	-	2,379
<b>Total assets</b>	<b>468,512</b>	<b>18,778</b>	<b>15,284</b>	<b>134,979</b>	<b>637,553</b>
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	3,777	39	-	-	3,816
Deferred revenue:					
Succeeding year property tax	124,999	-	-	-	124,999
Total liabilities	128,776	39	-	-	128,815
Fund balances:					
Restricted for:					
Debt service	-	-	-	134,979	134,979
Management levy	339,736	-	-	-	339,736
Student activities	-	18,739	-	-	18,739
Special purposes by donors	-	-	15,284	-	15,284
Total fund balances	339,736	18,739	15,284	134,979	508,738
<b>Total liabilities and fund balances</b>	<b>468,512</b>	<b>18,778</b>	<b>15,284</b>	<b>134,979</b>	<b>637,553</b>

## AURELIA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue Funds				Total \$
	Management Levy	Student Activity	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	122,279	-	-	-	122,279
Other	1,886	13,541	155	595	16,177
State sources	64	-	-	-	64
Total revenues	<u>124,229</u>	<u>13,541</u>	<u>155</u>	<u>595</u>	<u>138,520</u>
Expenditures:					
Current:					
Instruction:					
Regular	34,414	-	-	-	34,414
Other	-	16,794	-	-	16,794
Support services:					
Student	1,200	-	-	-	1,200
Administration	20,427	-	-	-	20,427
Operation and maintenance of plant	14,770	-	-	-	14,770
Transportation	14,710	-	-	-	14,710
Non-instructional programs	2,660	-	-	-	2,660
Other expenditures:					
Long-term debt:					
Interest and fiscal charges	-	-	-	10,712	10,712
Total expenditures	<u>88,181</u>	<u>16,794</u>	<u>-</u>	<u>10,712</u>	<u>115,687</u>
Excess (deficiency) of revenues over (under) expenditures	36,048	(3,253)	155	(10,117)	22,833
Other financing sources (uses):					
Operating transfers in	<u>-</u>	<u>2,379</u>	<u>-</u>	<u>145,096</u>	<u>147,475</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	36,048	(874)	155	134,979	170,308
Fund balance beginning of year	<u>303,688</u>	<u>19,613</u>	<u>15,129</u>	<u>-</u>	<u>338,430</u>
Fund balance end of year	<u><u>339,736</u></u>	<u><u>18,739</u></u>	<u><u>15,284</u></u>	<u><u>134,979</u></u>	<u><u>508,738</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheets  
Capital Projects Accounts

June 30, 2013

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	408,465	481,867	890,332
Receivables:			
Property tax:			
Delinquent	-	1,322	1,322
Succeeding year	-	152,275	152,275
Due from other governments	34,895	-	34,895
<b>Total assets</b>	<b>443,360</b>	<b>635,464</b>	<b>1,078,824</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	3,550	3,550
Deferred revenue:			
Succeeding year property tax	-	152,275	152,275
Total liabilities	-	155,825	155,825
Fund balances:			
Restricted for:			
School infrastructure	443,360	-	443,360
Physical plant and equipment	-	479,639	479,639
Total fund balances	443,360	479,639	922,999
<b>Total liabilities and fund balances</b>	<b>443,360</b>	<b>635,464</b>	<b>1,078,824</b>

## AURELIA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Projects Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	219,990	142,614	362,604
Other	203	4,813	5,016
State sources	-	75	75
Total revenues	<u>220,193</u>	<u>147,502</u>	<u>367,695</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	49,028	-	49,028
Support services:			
Operation and maintenance of plant	4,518	41,370	45,888
Transportation services	-	2,787	2,787
Other expenditures:			
Facilities acquisition	1,000,135	1,050	1,001,185
Long-term debt fiscal charges	23,673	-	23,673
Total expenditures	<u>1,077,354</u>	<u>45,207</u>	<u>1,122,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(857,161)</u>	<u>102,295</u>	<u>(754,866)</u>
Other financing sources (uses):			
Bonds issued	1,275,000	-	1,275,000
Bond premium	1,264	-	1,264
Bond discount	(10,561)	-	(10,561)
Operating transfers out	(236,176)	-	(236,176)
Total other financing sources (uses)	<u>1,029,527</u>	<u>-</u>	<u>1,029,527</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>172,366</u>	<u>102,295</u>	<u>274,661</u>
Fund balances beginning of year	<u>270,994</u>	<u>377,344</u>	<u>648,338</u>
Fund balances end of year	<u><u>443,360</u></u>	<u><u>479,639</u></u>	<u><u>922,999</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues &amp; Interfund Transfers</u> \$	<u>Expenditures</u> \$	<u>Balance End of Year</u> \$
Drama	1,269	350	999	620
Vocal	989	172	-	1,161
Instrumental music	247	770	1,158	(141)
Music fund raiser	977	-	-	977
Interest	6,522	17	52	6,487
FCCLA	172	37	-	209
JH sports	-	5,265	9,752	(4,487)
Annual staff	273	30	-	303
K-8 student council	6,776	4,792	4,825	6,743
Got milk	231	-	-	231
Aurelia sports	518	280	-	798
Cheerleaders	1,639	-	-	1,639
Beginning accruals	-	-	(31)	31
Ending accruals	-	4,207	39	4,168
Totals	<u>19,613</u>	<u>15,920</u>	<u>16,794</u>	<u>18,739</u>



## AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2013

	<u>Flower Fund</u>
	\$
Balance beginning of year	282
Additions:	
Collections	-
Deductions:	
Miscellaneous	<u>62</u>
Balance end of year	<u><u>220</u></u>

## AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	1,911,763	1,920,132	1,856,829	1,744,474	1,662,738	1,485,638	1,519,959	1,419,526	1,482,719	1,471,722
Tuition	472,703	443,181	123,890	138,997	117,683	121,938	140,465	111,005	75,306	64,989
Other	155,830	207,566	87,571	104,558	170,139	160,240	140,157	145,900	121,946	108,393
State sources	1,097,670	1,022,279	1,158,911	997,561	1,201,951	1,193,409	1,101,790	1,244,153	1,162,500	1,028,568
Federal sources	69,618	89,537	190,806	251,846	112,588	88,934	91,816	106,308	125,854	119,604
Total revenues	3,707,584	3,682,695	3,418,007	3,237,436	3,265,099	3,050,159	2,994,187	3,026,892	2,968,325	2,793,276
Expenditures:										
Instruction:										
Regular	1,520,201	1,600,932	1,201,610	1,211,335	1,288,564	1,363,919	1,313,458	1,213,900	1,192,229	1,224,065
Special	389,038	378,042	307,678	341,726	266,311	296,427	246,757	205,141	200,074	203,505
Other	273,061	235,517	366,576	365,905	354,944	381,131	383,248	393,152	398,720	342,738
Support services:										
Student	89,388	85,884	68,509	64,369	59,732	81,898	78,963	76,756	74,287	74,275
Instructional staff	21,939	14,963	7,492	6,896	5,281	8,079	5,728	6,599	5,952	13,312
Administration	445,207	433,162	301,674	282,011	296,444	346,494	343,778	332,194	325,066	323,699
Operation and maintenance	249,512	268,274	274,408	345,646	327,351	317,755	291,822	288,159	260,474	242,966
Transportation	146,085	221,038	110,233	123,414	77,373	169,415	144,668	112,294	77,309	132,698
Non-instructional programs	2,660	2,658	2,142	2,930	1,518	12,825	12,519	12,906	13,840	12,410
Other expenditures:										
Facilities acquisition	1,001,185	313,003	7,541	-	92,880	232,035	208,728	106,573	164,241	49,826
Long-term debt:										
Interest and other charges	34,385	-	-	-	-	-	-	-	-	-
AEA flowthrough	101,082	101,252	116,550	115,289	106,450	103,923	101,666	99,831	98,571	100,004
Total expenditures	4,273,743	3,654,725	2,764,413	2,859,521	2,876,848	3,313,901	3,131,335	2,847,505	2,810,763	2,719,498

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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Aurelia Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aurelia Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aurelia Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Aurelia Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I3-I-A and I3-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aurelia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Aurelia Community School District's Responses to Findings

Aurelia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Aurelia Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Aurelia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

October 2, 2015

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-I-A      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

13-I-B      Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

# AURELIA COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Responses

Year ended June 30, 2013

### Part II: Other Findings Related to Required Statutory Reporting:

- 13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, exceeded the certified budget amount in the non-instructional expenditures function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Construction expenditures incurred at the end of the year were more than anticipated. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 13-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 13-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Myron Radke, board member	School employee	2,490

Recommendation: Board members may be part-time temporary employees if the total amount paid is less than \$2,500.

- 13-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 13-II-F Board Minutes: Except as explained in comment 12-II-M, no transactions requiring board approval that had not been approved by the board were noted.

- 13-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

- 13-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

# AURELIA COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Responses

Year ended June 30, 2013

### Part II: Other Findings Related to Required Statutory Reporting (continued):

- 13-II-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

	\$	\$
Beginning balance		270,994
Revenues/transfers in:		
Statewide sales, services and use tax revenue	219,990	
Other	203	
Revenue bonds issued net of costs	1,265,703	1,485,896
Expenditures/transfers out:		
School infrastructure/Equipment	1,077,354	
Transfers out	236,176	1,313,530
Ending balance		443,360

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

- 13-II-M Transfers to Student Activity Fund and to the School Nutrition Fund: All allowable transfers between funds require board approval. We noted that the transfers from the General Fund to the Student Activity Fund and to the School Nutrition Fund were not approved by the board. The Iowa Department of Education has issued an opinion that General Fund money may not be used to support the School Nutrition Fund.

Recommendation: The District should discuss these transfers with its attorney and all allowable transfers made in the future should be approved by the board of directors.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting (continued):

District Response: We will discuss this with our attorney and future transfers will be approved by the board.

Conclusion: Response accepted.